

City of Cincinnati

All Funds Biennial Budget



Recommended Operating Budget 2005/2006

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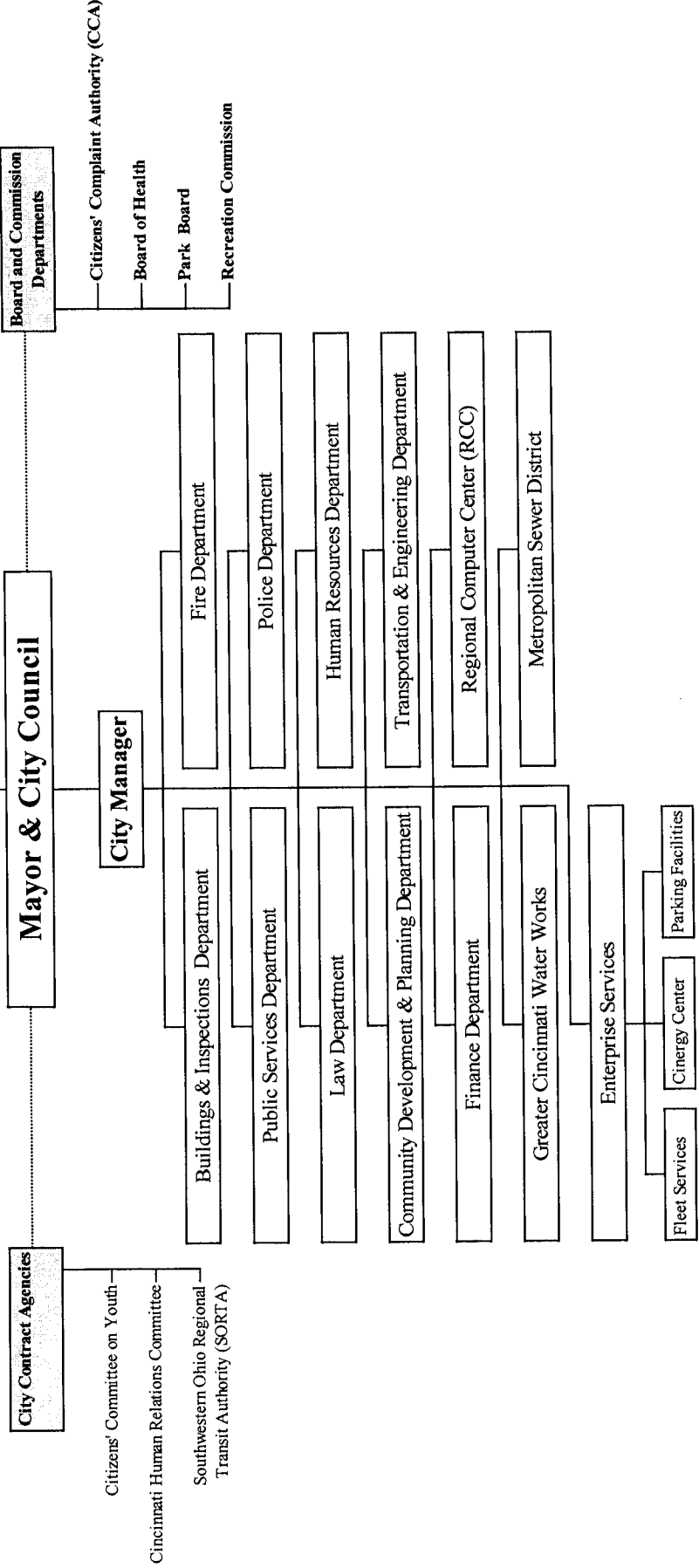
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The City of Cincinnati's 2005/2006 Recommended Biennial Budget volumes are also available via the City of Cincinnati's web site – www.cincinnati-oh.gov. Copies have also been provided to the Cincinnati/Hamilton County Public Library's Main Branch.

Citizens of Cincinnati





GOVERNMENT FINANCE OFFICERS ASSOCIATION

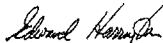
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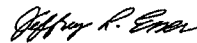
PRESENTED TO

**City of Cincinnati
Ohio**

For the Biennium Beginning

January 1, 2003


President


Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for the Distinguished Budget Presentation to the City of Cincinnati for its annual budget beginning January 1, 2003.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

The award is valid for a period of one year only. We believe our current biennial budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

City of Cincinnati

2005/2006 RECOMMENDED OPERATING BUDGET

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November 10, 2004

Mayor Charlie Luken:

RECOMMENDED 2005/2006 OPERATING BUDGET

I am recommending a balanced 2005/2006 All Funds Biennial Operating Budget of \$767.6 million in 2005 and \$753.6 million in 2006 for a total of \$1.5 billion in the biennium. The 2005 recommendation is a 2.9% decrease from 2004 and the 2006 recommendation is a 1.8% decrease from 2005.

The recommended General Fund Operating Budget is \$324.3 million in 2005 and \$327.0 million in 2006. The 2005 General Fund recommendation is a \$5.8 million, or 1.8%, reduction from 2004 and the 2006 recommendation is a \$2.7 million, or 0.8%, increase over 2005. It is significant that the forecasted 2005 General Fund continuation budget (a budget to provide the same level of services in 2005 as in 2004 but reflecting anticipated inflationary increases and assumptions for wage increases), totaled \$340.5 million. Compared to this 2005 continuation budget amount, the Recommended 2005 General Fund budget reflects a decrease of \$16.2 million, or 4.8%. Attached to the end of this transmittal is a listing by department of the 2005 Continuation Budget amounts compared to the 2004 Approved Budget Update and the Recommended 2005 General Fund Budget. The General Fund reductions touch every department and focus limited resources on the core services of the City.

Table I - 2005/2006 Operating Budget

	2004	2005	Change	2006	Change
<i>(\$ in Millions)</i>	Approved	Recommended	From	Recommended	From
	Budget	Budget	2004	Budget	2005
General Fund	\$330.1	\$324.3	-1.8%	\$327.0	0.8%
Restricted Funds ¹	<u>\$460.4</u>	<u>\$443.3</u>	<u>-3.7%</u>	<u>\$426.6</u>	<u>-3.8%</u>
Total Operating Budget	\$790.5	\$767.6	-2.9%	\$753.6	-1.8%

1 Community Development Block Grant funding, which is reported in a separate budget document, is not included in the amounts cited above.

While the All Funds Operating Budget is balanced for 2005, there are several funds that require close monitoring to ensure that expenditures remain within resources. These funds include the Convention Center Fund 103 and the appropriated restricted funds that receive their funding from the City income tax. Because the Cinergy Center renovation and expansion project will significantly reduce the number of events held at the center during 2005 and the first half of 2006, the basic expenditures to keep the facility operating (e.g., utilities and security) will have to be monitored closely. Event planners will continue to actively pursue smaller events during this period but pending their efforts revenues from these events cannot be accurately estimated at this time.

The primary restricted funds that are affected by the City's income tax include the Income Tax-Infrastructure Fund 302 and the Income Tax-Transit Fund 759. Fund 302 receives its revenue from the 0.1% earnings tax for infrastructure and is a primary source of facility repair and maintenance for the City. To the extent that income tax revenues do not increase, less repair and maintenance can be performed. Similarly, the Income Tax-Transit Fund 759 receives its revenues from the 0.3% income tax dedicated to transit operations in the City. To the extent that income tax revenues do not increase, less funding is available to support the Southwestern Ohio Regional Transit Authority (SORTA) bus and para-transit services. SORTA is considering fare increases.

All funds are balanced to resources in 2006; however, assumed additional General Fund expenditure reductions will need to be specifically identified in the 2006 Budget Update process. For the General Fund, additional expenditure reductions or revenue increases are required in the amount of \$5.2 million for 2006.

This Operating Budget makes substantial and significant reductions to current City operations, particularly in the General Fund, as the City focuses on providing core municipal services in an economic climate of limited resources. The major budget assumptions that result in the Recommended 2005 General Fund budget are as follows:

1. Salary increases are limited to 2% in each year of the biennium for represented employees. Professional, technical, and managerial employees (including CODE) are budgeted for no general salary increase (0%) increase in 2005.
2. Merit increases are not funded, except for represented staff per union contract.
3. Non-local travel and training expenditures remain at the 2003 Approved Budget level. During the 2003/2004 budget process non-local travel and training expenditures were reduced by approximately \$600,000, or more than 50%, within the General Fund.
4. Overtime and compensatory time is still eliminated except for emergencies for non-represented staff.
5. Fuel costs will remain at the current levels and energy costs will increase approximately 10% in 2005. Increases above these levels will require departments to absorb them.
6. City costs for employee healthcare assume all City employees transition to the "80/20 Plan." Under the 80/20 Plan, the employee's share of the total cost of healthcare increases from approximately 14% to 25% depending on the healthcare usage of the employee. The total cost of care for employee healthcare is anticipated to increase 16% in 2005.
7. Two police recruit classes beginning in June and December 2005 are funded. One fire recruit class (beginning late December 2004) is funded in 2005.
8. Two police recruit classes beginning late December 2004 and June 2005 are funded in 2005 and a third recruit class is funded to begin in December 2005. One fire recruit class (beginning late December 2004) is funded in 2005.
9. The police and fire cadet programs are eliminated.
10. No Human Services Policy funding is budgeted in the biennium. This is a \$4.8 million budget reduction.

11. Curbside recycling is reduced from weekly collection to every other week for a savings of approximately \$315,000.
12. Snow removal and slippery street activities will be focused on major thoroughfares and the central business district. Residential streets will be addressed as resources permit and not with overtime. A small reserve will be maintained for emergencies.
13. Contributions to outside agencies for projects and programs are significantly reduced or eliminated. A list of these reductions is included in the Operating Budget.
14. No General Fund Capital transfer will occur due to the lack of fiscal resources.
15. No General Fund transfer for Cincinnati On the Move Fund 382 (e.g., no additional funding support of the Riverfront Classic or Convention Visitors Bureau Multicultural Tourism Marketing). The Cincinnati On the Move Fund 382 was established during the 2004 Budget Update process to provide a dedicated non-appropriated fund to support tourism and marketing. It was funded with a 2004 transfer from the General Fund in the amount of \$145,000 and the 2003 balance for the Riverfront Classic in the amount of \$63,000. These resources will remain in the fund until expended; however, no additional funding is added to the fund in 2005.
16. The Fire Department overtime budget increases \$332,000 but the department will be challenged to contain overtime expenditures under current negotiated sick time and comp time leave usage.
17. The Mayor, City Manager, and City Council funding level decreases 15.5% from the 2004 Approved Budget Update.
18. The Greenspace Program (within the Public Services and Parks departments) is funded at 72% of the 2004 funding level and the Weed & Litter Program is fully funded in 2005.
19. Within the Buildings and Inspections Department a new fee is proposed for the Landlord Registration Program and permit and inspection fees are increased. The Landlord Registration Program will help ensure rental housing is maintained to conform with building codes by tracking chronic nuisance properties and identifying "absentee" landlords. The program also calls for mandatory inspections for repeat offenders for a two-year period.
20. New fines for photo traffic enforcement as well as increased parking violation fines are proposed. As noted in the 2004 Budget Update process, the Recommended 2005 General Fund Budget includes the implementation of photo traffic enforcement to improve traffic and pedestrian safety as well as to enable the Police Department to deploy more officers to crime reduction initiatives as opposed to traffic enforcement. The program has proved to be successful in reducing traffic injuries and deaths at problem intersections in cities across the country.

These reductions will result in a decrease in the number of positions. For all-funds, there is a net decrease of 161.1 full-time equivalent (FTE) positions. Of these, 76 FTE are filled positions and the incumbent employees will be displaced. The remainder of the eliminated FTE are either vacant positions, pending retirements, or can be absorbed in non-General Fund departments by filling vacancies that are available because of the hiring freeze that has been in effect during 2004. The displacement of Civil Service employees will be in accordance with Civil Service Rules and Regulations. Any layoffs would be effective March 1, 2005.

Basic Services Focus

Core City services are the focus of this budget. Some of the continued core services included in the budget are as follows:

- The City's Health Clinics and other primary health care programs are fully funded; however, because of changes in the federal Medicare reimbursement policy, the non-City funded portion of the Home Health Care skilled nursing program is reduced. The General Fund portion of this program is fully funded.
- The plan to increase police staffing from 1,060 to 1,075 officers by late 2005 is on track, with two recruit classes funded in both 2005 and 2006.
- All 40 fire companies within the City's 26 fire houses are funded; however, the department will be challenged to contain overtime expenditures if current year sick time and comptime leave usage continues into 2005.
- Weekly solid waste collection is funded at a continuation level in the biennium; however, due to limited resources, the curbside recycling program is reduced from weekly pick-up to every other week.
- The new Mt. Washington Recreation Center will open in the spring of 2005; however, due to limited resources and low utilization several recreation facilities will close in 2005. The facilities to close in 2005 include Butterfield and Ebersole recreation centers and the Boldface and Mt. Adams pools. These facilities were chosen based on utilization levels, proximity to other facilities, and the physical condition of the facility. Additionally, programs at Cincinnati Metropolitan Housing Authority (CMHA) Pinecrest facility will be transferred to other facilities.
- All park facilities will remain open and operating at continuation levels; however, due to limited resources mowing cycles will be extended, litter pick-up will be reduced, and the overall maintenance of park facilities will decrease.
- Continued regular hours for the Permit and Development Center and building and zoning code enforcement is fully funded. During 2005, the City will implement the Landlord Registration program. Additionally, the Buildings and Inspections Department will increase permit and inspection fees which in some instances have not been revised since the 1970s.
- The City Litter and Weed program is fully funded and the Greenspace Program is funded at approximately 72% of the 2004 funding level. The result of the decreased funding for the Greenspace Program will be extended mowing and maintenance cycles.
- The Arts Policy and Arts Consortium are included in the budget but with approximately a 50% reduction in funding.
- The commitment of \$5 million for 20 years to the Cincinnati Public Schools (CPS) for facility improvements will continue in the biennium. We will continue to work with CPS to align our budgeted capital improvements with the CPS facilities plan where possible. Support for CPS continues with School Nurses (\$2.6 million), School Resource Officers (\$724,258), and School Crossing Guards (\$844,429). Based on the need to increase police visibility, the Drug Abuse

Resistance Education (DARE) program is eliminated in 2005 with the associated officers returned to crime reduction initiatives.

- Resources are budgeted to continue to implement 200 lane miles of street rehabilitation in the biennium.

City Council Policies

On June 30, 2004, the City Council approved the 2005/2006 Policy Budget. The associated resolutions are included as an appendix to this budget document. What follows is a summary of each policy item and how the Recommended 2005/2006 Budget addresses the policy directive. The Recommended 2005/2006 Budget, for the Operating, Capital, and Consolidated Plan Budgets, focuses resources on core services. This approach is consistent with many of the policy directives below but limited resources result in the reduction of some areas, such as recycling and greenspace maintenance. Furthermore, while every attempt was made to accommodate all the policy items, limited resources precluded some items (e.g., re-establishing a General Fund transfer to the capital budget and additional hours for recreation centers in the Empowerment Zone).

- 1. Keep Council's commitment to complete the increase of 75 police officers to the complement.*

The Recommended 2005/2006 General Fund Budget includes funding for two recruit classes in 2005 and 2006 as well as an increase of 15.0 FTE in authorized police officers from 1,060 to 1,075. Barring any unusual attrition patterns, the Police Department will reach the 1,075 officer level in late 2005.

- 2. Protect basic services from any service cuts, defined as safety, fire, garbage collection, road repair and pavement, maintenance of green spaces, health care centers, and recycling.*

Basic services are funded in the Recommended 2005/2006 Operating Budget. The number of police officers increases and fire staffing remains unchanged. Garbage collection is funded at continuation levels and all the health clinics remain open with current service hours. Greenspace maintenance and recycling will be provided in 2005/2006 but due to limited resources the greenspace program within the Public Services Department and Park Board are funded only at 72% of the 2004 funding level. Additionally, the curbside recycling program is funded in 2005/2006 but the collection frequency is decreased from weekly collection to every other week. We will continue to annually rehabilitate 100 lane miles of City streets.

- 3. Balance the budget by cutting waste, improving efficiency, cutting services not normally provided by cities, and if necessary, reducing middle and upper management.*

The Recommended 2005/2006 Operating Budget reflects an all funds reduction of 161.1 FTE for 2005 and 17.0 FTE in 2006, including a number of management positions. While focusing resources on basic core services there are significant reductions within support agencies. For example, the Finance Department, Law Department, Human Resources Department recommended 2005 General Fund budgets decrease 9.0%, 8.6%, and 9.8%, respectively. The Office of the City Manager, Office of the Mayor, and the City Council budgets each decrease 15.5% from the 2004 approved funding level. In many instances we will rely more on community expertise to provide services rather than City staff – e.g., loan underwriting. City staff can then focus on performance, accountability, and regulatory functions. Also, the Human Services Policy funding has been eliminated because the programs funded are not basic core City services.

4. *Equip each firehouse used by the Cincinnati Fire Department with female restroom facilities.*

To date, the City has added female facilities for 15 of the City's 26 firehouses. The "City Facility Renovation" project within the Recommended 2005/2006 Capital Budget includes the addition of female facilities for two firehouses over the biennium and upgrading the female facilities at one firehouse in 2006. Upgrading the female facilities at another firehouse is planned for 2007. The remaining seven firehouses without female facilities would be included in the "Replacement Facilities" project as new firehouses are constructed.

5. *Provide adequate resources to support long-term solutions to the challenges faced by the Fire Department – as outlined by the Line of Duty Death report (LODD), as well as the challenges faced by the EMS system.*

The Recommended 2005/2006 Capital Budget includes \$300,000 annually from 2005 through 2010 for the acquisition of fire equipment to address the recommendations in LODD report. Additionally, the City is in the process of reviewing the vendor proposals to perform a comprehensive review of the Fire Department as approved by the City Council.

6. *Continue to support Community Councils and Neighborhood Business Districts through the Neighborhood Support Program (NSP) Fund and Neighborhood Business District Support Fund (NBDSF).*

During the 2004 Budget Update process the annual support to Community Councils was increased from \$10,000 to \$12,000. The Recommended 2005/2006 Operating Budget includes an annual amount of \$5,000. This funding level represents a decrease of \$7,000 from the 2004 approved budget and a decrease of \$5,000 from the 2003 approved budget. The Recommended 2005/2006 Capital Budget includes funding to continue the \$10,000 annual contribution for each neighborhood business district for capital improvements.

7. *Reinitiate its prior policy of capital transfers to provide capital investment in neighborhoods – both residential and business districts.*

Due to limited resources within the General Fund, no capital transfers are in the Recommended 2005/2006 General Fund budget.

8. *Continue to utilize the system of Community Priority Requests so each community can proactively outline its priorities for the coming budget season.*

Department of Community Development and Planning (DCDP) coordinated the 2005 Community Priority Requests. City departments have been provided the requests and have incorporated community priorities, based on available resources. A disposition report by the Department of Community Development and Planning will be provided separately.

9. *Devote a significant asset, quantified in staff hours, to be focused on black-on-black crime initiatives, earmarking dollars from the \$4.5 million the City currently spends on social programs.*

The Recommended 2005/2006 Operating Budget does not include any funding for the Human Services Policy. The Recommended 2005/2006 Consolidated Plan Budget includes \$1 million in each year for the proposed Blueprint for Success program to provide vocational skills and job opportunities for ex-offenders. This program will be funded with Community Development Block Grant and HOME resources and is described in the Recommended 2005/2006 Consolidated Plan Budget. Blue for Success

is collaboration between the City of Cincinnati and the Cincinnati-Hamilton County Community Action Agency (CCA). It is a two year demonstration program designed as an intensive intervention for at-risk youth and young adults including ex-offenders. Youth will receive marketable construction skills while working towards a GED or High School diploma. CAA will customize an individualized roadmap and timetable of what the program participant wants to achieve based on the varied classes offered by the CAA. The program projects a total of 30 graduates with two homes completed in 2005 and five in 2006.

10. Support the Economic Development "Strike Force" in the Manager's Office so it has enough capacity to get the job done.

The Recommended 2005/2006 General Fund Budget includes continuation funding for the Economic Development Division within the Office of the City Manager. Additionally, the Recommended 2005/2006 Capital Budget includes a number of economic development projects to assist in fulfilling the goals of the Strike Force report. These projects are listed beginning on page 90 of the Recommended 2005/2006 Capital Budget.

11. Work with CPS to ensure that the necessary infrastructure, technical support, and public improvements for the Facilities Master Plan are developed and that future City planning efforts take into consideration the recognition of Community Learning Centers as a great asset to both individual neighborhoods and the City as a whole.

The Recreation Department has been assigned the coordinating responsibility for this initiative and serves as the City's liaison with CPS. The City is also working with Cincinnati State and CPS for the purpose of developing future qualified candidates for careers in public safety. Cincinnati State and CPS are collaborating to develop a curriculum that exposes, educates, and prepares students for these positions. This will encourage diversity, help remove obstacles that hinder future City employment, and proactively secure future qualified candidates for careers in the area of public safety.

12. Contract with outside professionals, who work on a contingency fee basis, for an independent efficiency review of every City department, including independent boards and commissions whose budgets are approved by City Council.

Though not on a contingency fee basis, the Fire Department will undergo a comprehensive review during 2005. Additionally, the Innovative Service Solutions (ISS) initiative within the Office of the City Manager will continue to identify opportunities to improve service delivery and effectiveness. Recent efforts include the review of the parts inventory management function within the Fleet Services Division and the operation of the City's Town Center and Garfield garages. The City has contracted with TechSolve Inc. to assist in the implementation of the ISS program to reduce the cost and improve the quality of City services. In 2004, TechSolve completed an organizational analysis of the City, trained 40 staff facilitators on continuous improvement techniques, and designed the ISS Program. In 2005, TechSolve will continue to train facilitators and facilitate implementation of ISS. This includes redesigning and implementing new process improvements such as the Neighborhood Quality of Life Unified Code and coaching a Peer Review Team to integrate the new improvements throughout the City.

13. Continue to invest in comprehensive cost-saving technology that will enable the City to run more efficiently.

The Recommended 2005/2006 Capital Budget includes several projects that will enhance efficiency and effectiveness. These projects include the upgrade of the City's check writing equipment, purchasing and procurement software, and the replacement of \$5.8 million in obsolete vehicles. The Police Department will replace its 14-year old computer aided dispatch system and implement a records management system

to replace its paper-based records system. The Police Department would also implement photo traffic enforcement during 2005 to address traffic and pedestrian safety problems at select intersections across the City. This technology allows a 24/7 presence at problem intersections while also freeing up officers for crime reduction activities. In 2004, the Police Department has begun implementation of an employee tracking system. This system will provide the Police Department real time data regarding employee risk management issues (e.g., on-duty injuries, vehicle pursuits, use of force, etc.) at the first line supervisor level. The system also provides electronic workflow management to identify patterns early and greatly speed the review of work products. Finally, the system will track employee training as well as citizen and supervisory feedback on employee performance.

Additionally, the Recommended 2006 Capital Budget includes the first phase of a multi-year effort to replace the City's traffic lights with liquid emitting diode (LED) technology which will dramatically reduce energy costs and increase the service life of traffic lights.

14. Pursue Internet reverse auctions and joint purchasing (with other jurisdictions), when appropriate.

The Finance Department, Purchasing Division, is actively examining this opportunity and will report back to the City Council in early 2005 with an implementation plan.

15. Invest more money toward employing youth during the summer months.

The Recommended 2005/2006 Operating and Consolidated Plan Budgets include a total of \$2.1 million for youth and young adult employment and employment training (General Fund and Consolidated Plan Budget resources), representing a 31.2% increase from the 2004 approved funding level of \$1.6 million. This increase is primarily attributable to the proposed \$1.0 million Blueprint for Success program in each year in 2005 and 2006 within the Consolidated Plan Budget. This program will provide paid vocational training for 18-30 year-old ex-offenders in the context of renovating low and moderate-income housing.

16. Maintain the property tax rollback policy.

The Recommended 2005/2006 General Fund Budget revenue estimate assumes the continuation of the City Council policy of rolling back property tax millage to maintain the 2001 level of property tax revenue.

17. Adopt a clear performance measurement system to apply to those agencies and nonprofits that apply for and receive money through our Human Services Policy and that those measures (both past performance and projected performance) be part of the budget that is presented to Council in the fall.

With the recommended elimination of Human Services Policy funding. This policy item does not apply in 2005/2006.

18. Honor the commitments it made to the empowerment zones in an October 8, 1998 letter from then City Manager, John Shirey, and report back to Council on progress and include answers to Councilmember Cole's Motion (Council Document #200307175) in time for the August 2004 meeting.

A report was submitted to the City Council on August 31, 2004 detailing \$79.3 million in expenditures in the empowerment zone from July 1, 2003 to June 30, 2004. Included in these expenditures were \$54.1 million in routine services (e.g., fire, police, recreation and health centers); \$18.3 million for non-routine services (e.g., Department of Community Development and Planning projects such as Findlay Market and Over-the-Rhine initiatives, human services operating support grants, and water main upgrades); \$4.7

million in grant funding to the Cincinnati Empowerment Corporation; and \$2.2 million in Cincinnati Housing Development Fund loans.

19. Provide Cincinnati Recreation Commission with sufficient funding in order to operate recreation centers and pools an additional three (3) hours per day in the empowerment zone communities during the summer months.

Due to limited resources, the hours at the recreation centers and pools remain at the City funded 2004 level. In 2004, the Recreation Department received a donation of \$20,000 from CSX Transportation Foundation to allow 11 centers to be opened on Saturdays from approximately 10 AM to 6 PM for two months.

20. Continue funding the next phase of the Regional Fire Training Center project, which includes site preparation and design.

The Recommended 2005/2006 Capital Budget includes \$900,000 to build a training burn building at the Regional Fire Training Center site. The current burn building was condemned some years ago and a replacement burn building is the most pressing training need of the Fire Department. Additional commitments to this training center should be contingent upon regional funding and corresponding business plan.

Tax and Fee Changes

The property tax rate is set at 4.98 mills in 2005 down from 5.0 mills in 2004. This reduction is consistent with the City Council policy to roll back the property tax millage to maintain property tax revenues at the 2001 level. No other tax increases are included.

The Recommended 2005/2006 Operating Budget includes fee increases within the Buildings and Inspections Department (B&I) related to permits and inspections. Many have not been increased since 1979 and will be updated to reflect prevailing construction costs and to be comparable with other jurisdictions. Additionally, the recommended budget includes a Landlord registration fee to provide the resources to operate the Landlord registration program and to help offset the cost of the housing inspection function. The estimated increase in 2005 General Fund revenues for these increases are shown in Table II.

Table II – Buildings and Inspections Fee and Permit Revenue Initiatives

Per Square Foot Permit Fee	\$230,870
Landlord Registration Fee	\$875,000
Re-inspection Fee	\$424,200
Other B&I Fee Increases	\$180,810

Parking violation fines are increased in 2005 to provide an additional \$573,250 in revenue. These include the following:

- the current \$14 parking violation fine is increased to \$25;
- the current \$36 parking violation fine is increased to \$40; and
- the current \$56 parking violation fine (handicap violations) is increased to \$250, which is the state allowed maximum.

As noted in my 2004 Budget Update, the City would implement photo traffic enforcement for red light violations at selected intersections. The City Council would be consulted as to the camera locations of this traffic and pedestrian safety improvement initiative. Assuming full implementation in June 2005, the estimated revenue increase for this initiative is \$502,500.

As approved by the Hamilton County Board of Commissioners in January 2004, the Metropolitan Sewer District rates increase 8.6% in 2005 and an additional 7.9% increase in 2006. These increases are necessary to address the requirements of the Global Consent Decree approved by the County and City Council.

The Greater Cincinnati Water Works (GCWW) budget includes a 5% rate increase in 2005 an additional 7.5% rate increase in 2006 based on declining revenues and increasing costs. Revenues have been less than anticipated during 2003 and 2004 due to decreasing per-household consumption, the widespread use of low-flow fixtures in new construction and renovations, and consecutive wet summers. Additionally, the rate increase is necessary to address increasing costs for utilities, employee benefits, fuel, and transportation costs.

Recognizing a 10-year trend in decreasing water consumption within the City and Hamilton County, GCWW has pursued an expansion strategy within the Greater Cincinnati suburbs to counter the impact of decreasing consumption within the City and County, to spread operating and infrastructure costs over a larger service base, and to provide an opportunity for the outer suburbs to receive quality water service at a lower cost. Recent expansions have included the City of Mason, Butler County, and Northern Kentucky. Without these expansion efforts, rate increases of 10% in 2005 and 6% in 2006 would be required, according to GCWW.

Staffing Plan

The City will reduce the overall number of funded positions in 2005 and in 2006 by 161.1 FTE and 17.0 FTE, respectively. As shown in Table III on the following page, the total number of full-time equivalents (FTE) is recommended to decline from 6,487.9 budgeted in 2004 to 6,326.8 in 2005. There is a reduction of 108.4 FTE in the General Fund and a 52.7 FTE decrease in the Restricted Funds.

Table III - 2005/2006 City Staffing Plan

	2004	2005	Change	2006	Change
<i>(in Full Time Equivalents, FTE)</i>	Approved Budget	Recommended Budget	From 2004	Recommended Budget	From 2005
General Fund	3,814.5	3,706.1	(108.4)	3,706.1	-
Restricted Funds	<u>2,673.4</u>	<u>2,620.7</u>	<u>(52.7)</u>	<u>2,603.7</u>	<u>(17.0)</u>
Total City Staffing	6,487.9	6,326.8	(161.1)	6,309.8	(17.0)

The recommended change in non-public safety FTE is more dramatic. As shown in Table IV, from 2004 to 2005 the number of non-public safety FTE declines by 176.1 in all funds.

Table IV – 2004 to 2005 All Funds Public Safety FTE / Non-Public Safety FTE

	2004	2005	FTE Change
<i>(in Full Time Equivalents, FTE)</i>	Approved Budget	Recommended Budget	From 2004 Budget
Public Safety FTE	1,847.0	1,862.0	15.0
Non-Public Safety FTE	<u>4,640.9</u>	<u>4,464.8</u>	<u>-176.1</u>
Total All Fund FTE	6,487.9	6,326.8	-161.1

The decrease in non-public safety FTE continues a trend since 2000 of reducing non-public safety FTE while increasing public safety staff within the Police Department. As shown in Table V, 537 non-public safety FTE have been eliminated since 2000, while the number of public safety FTE has increased by 75 during the same period.

Table V - General Fund FTE Change 2000-2005

	2000	2005	FTE Change
<i>(in Full Time Equivalents, FTE)</i>	Approved Budget	Recommended Budget	From 2000 Budget
Public Safety FTE	1,787.0	1,862.0	75.0
Non-Public Safety FTE	<u>2,381.1</u>	<u>1,844.1</u>	<u>-537.0</u>
Total General Fund FTE	4,168.1	3,706.1	-462.0

As shown in Table VI, in the Fire Department, sworn FTE remains at 787 in both years of the biennium. In the Police Department, sworn FTE increases by 15 in 2005 for a total of 1,075.

Table VI - 2005/2006 Sworn Authorized Strength Staffing Summary

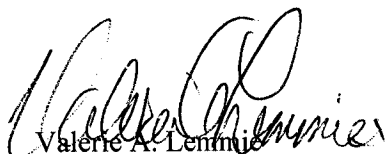
(in Full Time Equivalents, FTE)	2004 Approved Budget	2005 Recommended Budget	Change From 2004	2006 Recommended Budget	Change From 2005
Police Sworn	1,060.0	1,075.0	15.0	1,075.0	0.0
Fire Sworn	<u>787.0</u>	<u>787.0</u>	<u>0.0</u>	<u>787.0</u>	<u>0.0</u>
Total Sworn	1,847.0	1,862.0	15.0	1,862.0	0.0

The Departmental Budgets section of this document provides a detailed description of each recommended 2005/2006 FTE change by department. The attached table provides a summary of the recommended staffing plan for 2005/2006 for all City staff and for sworn staff. A table showing the FTE reductions and increases is included as Appendix A.

Conclusion

My staff and I are prepared to assist the Mayor and City Council as difficult choices are made in allocating limited resources in the 2005/2006 Biennial Budget process.

Respectfully submitted,


Valerie A. Lemmie
City Manager

2005/2006 ALL FUNDS OPERATING BUDGET BY FUND

The City of Cincinnati Operating Budget is developed by fund. Each fund is projected to be balanced to resources in 2005. Significant changes in fund revenues, resources, expenditures, or balances in each fund are described in this section of the Operating Budget document. This section includes the following tables and narratives:

All Funds Operating Budget

The table titled "All Funds Operating Budget" on the next page lists the recommended 2005 expenditures budget by fund and provides an estimated budget for 2006. It also provides the 2003 approved budget and the 2004 approved budget by fund.

2005/2006 General Fund Resources and Expenditures

This section beginning on page 15 includes the General Fund Six-Year Forecast and a detailed description of the General Fund Biennial Budget.

2005/2006 Restricted Funds Resources and Expenditures

This section beginning on page 22 starts with an overview of the Appropriated Restricted Funds. Following this overview are descriptions of each fund.

Non-appropriated fund expenditures are authorized in the ordinances that establish these funds. They are referred to as "non-appropriated" because the budgets are approved by City Council with the adoption of the recommended budget. Therefore, individual annual appropriation ordinances are not required. The non-appropriated category of operating funds is primarily comprised of grant funds such as the Health Department's Women & Infants Food Grant Program, the Parks Department's Forestry Assessments Grant, and the Police Department's asset forfeiture grants. A description is provided of the major changes expected in the non-appropriated restricted funds.

All Funds Operating Budget

Fund	2003 Approved	2004 Approved	2005 Recommended	2006 Recommended
050 General Fund	\$312,502,180	\$330,112,710	\$324,310,430	\$326,995,380
APPROPRIATED RESTRICTED FUNDS				
101 Water Works	\$92,612,190	\$97,837,550	\$95,274,330	\$97,574,020
102 Parking Facilities	7,851,650	9,329,490	8,602,180	8,761,900
103 Convention Center	4,890,790	4,487,750	3,483,710	3,000,000
104 General Aviation	1,453,830	1,612,690	1,567,380	1,600,640
105 Municipal Golf	6,492,310	6,322,140	6,139,900	6,300,810
107 Stormwater Management	7,219,230	7,514,060	7,698,950	7,863,840
151 Bond Retirement	65,917,000	91,088,070	79,367,780	50,678,370
301 Street Construction	7,905,110	8,641,000	8,698,980	8,881,640
302 Income Tax-Infrastructure	13,304,480	14,166,390	13,707,400	13,818,850
303 Parking Meter	2,360,620	1,619,820	1,456,320	1,175,800
304 Community Dev Block Grant	3,125,180	3,496,160	3,298,740	3,230,600
306 Motor Vehicle License Tax	2,969,900	2,613,400	2,262,470	2,169,010
318 Sawyer Point	1,177,360	1,185,510	880,380	897,220
323 Recreation Special Activities	3,249,780	3,187,350	3,143,120	3,075,000
395 Health Services	4,643,410	4,362,770	4,455,850	3,781,000
424 Cable Communications	1,620,720	2,111,110	2,195,050	2,243,320
701 Metropolitan Sewer District	129,459,680	144,848,430	151,769,440	160,623,870
759 Income Tax Transit	36,336,330	37,650,810	38,379,140	39,642,030
APPROPRIATED RESTRICTED FUNDS	\$392,589,570	\$442,074,500	\$432,381,120	\$415,317,920
NON-APPROPRIATED RESTRICTED FUNDS	\$19,716,700	\$21,842,410	\$14,201,160	\$14,482,570
RESTRICTED FUNDS TOTAL	\$412,306,270	\$463,916,910	\$446,582,280	\$429,800,490
GRAND TOTAL	\$724,808,450	\$794,029,620	\$770,892,710	\$756,795,870

Note: Community Development Block Grant amounts included above are not included within the Operating Budget section of the All Funds Operating Budget Summary tables on page 44.

2005/2006 General Fund Resources and Expenditures

The 2005/2006 Biennial Budget for the General Fund is recommended in the context of a multi-year financial forecast of resources and expenditures. The initial forecast presented to the City Council in June 2004 has been updated as of November 2004. Table I shows the June forecast and Table II shows the November forecast. The revisions are based on: 1) new revenue estimates for the forecast period beginning in 2004 and new revenue enhancements beginning in 2005, and 2) budget balancing plan implementation for 2004 and recommended expenditure reductions for the forecast period beginning in 2005.

Table I – June 2004 General Fund Forecast 2003-2008

(\$ in Thousands)	2003 Actual	2004 Estimate	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
Resources						
Operating Revenues	\$313,669	\$312,654	\$320,756	\$329,811	\$338,867	\$349,208
Transfers-in	5,963	1,000	3,059	-	-	-
Total Resources	<u>\$319,632</u>	<u>\$313,654</u>	<u>\$323,815</u>	<u>\$329,811</u>	<u>\$338,867</u>	<u>\$349,208</u>
Expenditures						
Operating Expenditures	\$314,692	\$330,113	\$340,334	\$352,085	\$363,428	\$373,219
Transfers-out	156	485	145	145	145	145
Total Expenditures	<u>\$314,848</u>	<u>\$330,598</u>	<u>\$340,479</u>	<u>\$352,230</u>	<u>\$363,573</u>	<u>\$373,364</u>
Expenditure Savings	-	(3,251)	(3,353)	(3,474)	(3,593)	(3,696)
Yearly Balance	<u>\$4,784</u>	<u>(\$13,693)</u>	<u>(\$13,311)</u>	<u>(\$18,945)</u>	<u>(\$21,113)</u>	<u>(\$20,460)</u>
Prior Year Cancelled Encumbrances	1,496	-	-	-	-	-
Previous Year Carryover Balance	10,220	16,500	2,807	(10,504)	(29,449)	(50,562)
Non-GAAP Carryover Balance	<u>\$16,500</u>	<u>\$2,807</u>	<u>(\$10,504)</u>	<u>(\$29,449)</u>	<u>(\$50,562)</u>	<u>(\$71,022)</u>

Table II – November 2004 General Fund Forecast 2003-2008

(\$ in Thousands)	2003 Actual	2004 Estimate	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
Resources						
Operating Revenues	\$313,669	\$313,580	\$316,005	\$323,777	\$332,667	\$342,819
Transfers-in	5,963	1,000	3,059	-	-	-
Total Resources	<u>\$319,632</u>	<u>\$314,580</u>	<u>\$319,064</u>	<u>\$323,777</u>	<u>\$332,667</u>	<u>\$342,819</u>
Expenditures						
Operating Expenditures	\$314,692	\$330,844	\$340,334	\$332,168	\$336,805	\$346,054
Transfers-out	156	485	145	-	-	-
Permanent expenditure and transfer reductions in 2005			16,169	16,492	16,987	17,497
Permanent expenditure and transfer reductions in 2006				5,173	5,328	5,488
Permanent expenditure and transfer reductions in 2007					830	855
Total Expenditures	<u>\$314,848</u>	<u>\$331,329</u>	<u>324,310</u>	<u>326,995</u>	<u>335,975</u>	<u>346,054</u>
Expenditure Savings	-	(2,304)	(3,191)	(3,218)	(3,308)	(3,409)
Yearly Balance	<u>\$4,784</u>	<u>(\$14,445)</u>	<u>(\$2,055)</u>	<u>(\$0)</u>	<u>\$0</u>	<u>\$174</u>
Prior Year Cancelled Encumbrances	1,496	2,000	-	-	-	-
Previous Year Carryover Balance	10,220	16,500	4,055	2,000	2,000	2,000
Non-GAAP Carryover Balance	<u>\$16,500</u>	<u>\$4,055</u>	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$2,174</u>

STRUCTURAL IMBALANCE

The June 2004 multi-year forecast in Table I on the proceeding page shows an operating deficit each year during the forecast period. Furthermore, the size of the annual deficit increases each year. With increasing annual deficits, the General Fund is structurally out of balance with revenues growing at a slower pace than expenditures. Revenues were projected to grow on average 3.0% while the average expenditure growth rate for the same period was 3.2%. This structural imbalance resulted in a projected accumulated General Fund deficit of \$71.0 million by the end of 2008.

The City has relied on carryover to compensate for the structural imbalance in the General Fund for several years. Carryover balances will not be sufficient in 2005/2006 to balance the budget. As shown in Graph I, General Fund carryover balances have decreased since 1999 and are no longer sufficient to address annual operating deficits.

Graph I – General Fund Carryover Balance Trends

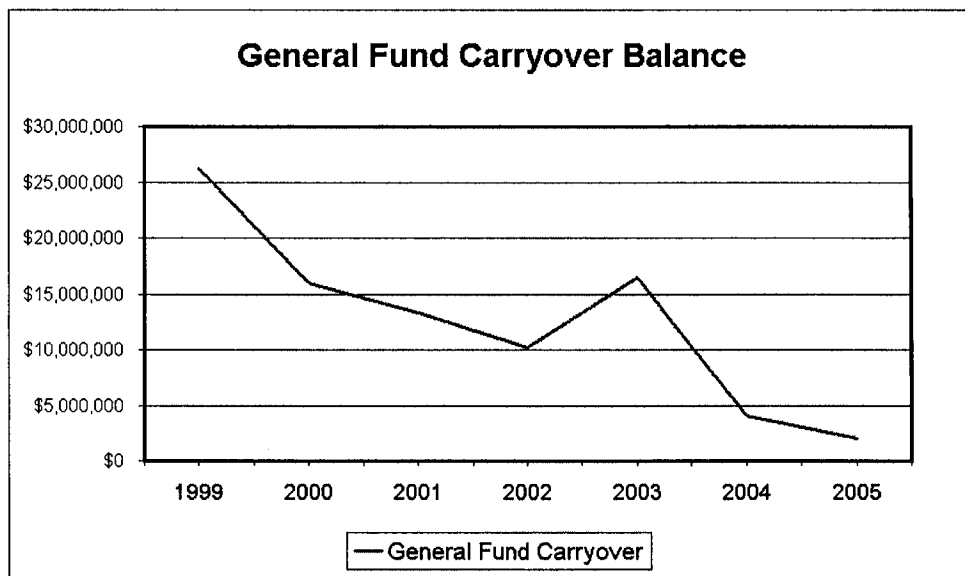
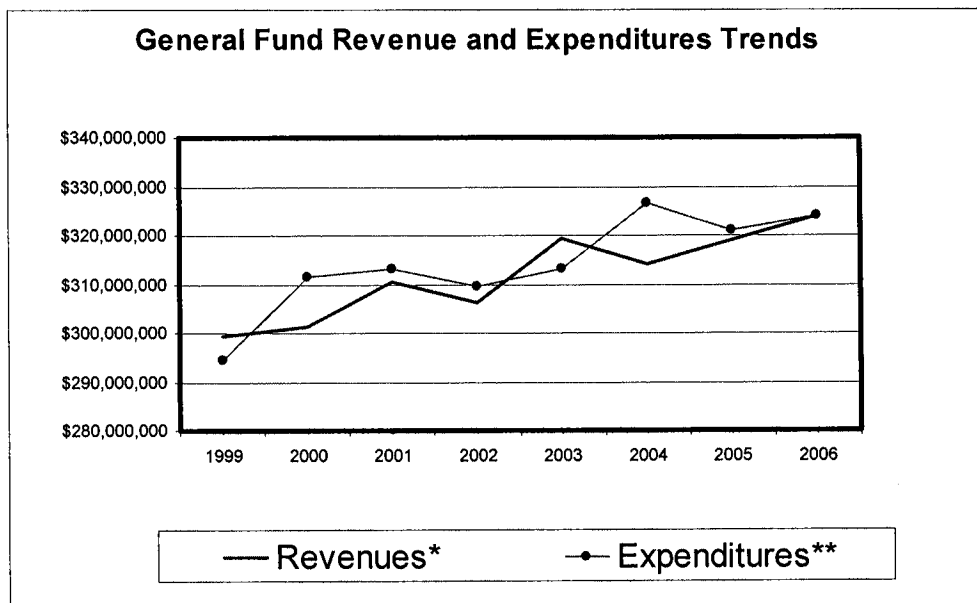


Table II on the proceeding page shows the multi-year General Fund forecast incorporating the revised revenue and expenditure estimates. Revenues are expected to grow by an average 2.8% for the forecast period and average expenditures are expected to grow 2.2%. The Recommended 2005/2006 General Fund Budget shows a structural balance and provides for a modest carryover balance each year through the forecast period.

As shown in Graph II, the structural imbalance is eliminated by 2005/2006 biennium reflecting the recommended budget. Note that the revenue and expenditure lines intersect in 2006.

Graph II – General Fund Revenue and Expenditure Trends



NOTES: * Includes Net Transfers In

** Includes Net Transfers Out, Cancelled Encumbrances, Expenditure Savings

Trends are based on actual resources and expenditures for 1999-2003 and estimates for 2004-2006.

BIENNIAL BUDGET FORECAST CHANGES (SEE TABLES I AND II)

For 2004, total estimated General Fund revenues increased by about \$926,000 since June. Unfortunately, income tax revenue, which is a component General Fund, is now expected to be about \$4.2 million less than the June estimate. The small total General Fund revenue increase over the June estimate is primarily due to an increase in estate tax revenue, which by its nature is a one-time resource. Expenditures have increased by about \$1.7 million since the June forecast and the increase would have been higher had expenditure controls not been implemented. Prior year cancelled encumbrances are included for \$2 million which reflects our aggressive action in this area. The result is an increase in carryover of about \$1.2 million for a total of \$4.1 million in 2004.

Because of 2004 income tax performance, the 2005 and 2006 growth rates for income tax have been decreased to 2.2% and 3.4%, respectively. This compares to the June 2004 forecast of a 3.4% increase in 2005 and a 4.5% increase in 2006. Factoring in the lower 2004 income tax revenue base and the slower growth rate for 2005, the income tax revenue estimate for 2005 is \$6.6 million less than forecasted in June 2004. Other net revenue decreases before new revenue sources total \$360,000. This is offset in part by \$2.2 million in new revenue enhancements. The total General Fund revenue estimated for 2005 is \$316 million. The total General Fund revenue estimate for 2006 of \$323.8 million includes the estimated income tax increase of \$6.7 million and other revenue increases of \$1.1 million.

The June 2004 forecast assumed for 2005 and 2006 that current labor contracts would be funded and that future contracts and non-represented staff salary increases would be 3% annually. The revised multi-year forecast in Table II assumes that salary increases are limited to 2% in each year of the biennium for represented employees. Professional, technical, and managerial employees (including CODE) are budgeted for no general salary increase (0%) increase in 2005 and 2% in 2006. Combined with expenditure reductions across every City department, the recommended 2005 General Fund expenditure level reflects a decrease of \$16.2 million from the original forecast. The 2006 budget requires an additional \$5.2 million in reductions. The necessary expenditure reductions are prorated across all City General Fund departments and specific reductions will have to be identified during the 2006 Budget Update process.

Table III provides a summary of the major changes in assumptions between the June and November multi-year General Fund forecasts.

Table III – Forecast Assumptions

Assumption	2004	2005	2006
Income Tax Growth			
June	3.2%	3.4%	4.5%
November	1.0%	2.2%	3.4%
Personnel Increases (Notwithstanding existing labor contracts)			
June	3%	3%	3%
November (represented staff / non-represented staff)	3%	2% / 0%	2% / 0%
Non-Personnel Increases			
June	0.0%	2.5%	2.8%
November	0.0%	2.5%	2.8%
Expenditure Reductions			
June	\$3.3 Million	\$10.5 Million	\$29.4 Million
November	\$2.3 Million	\$16.2 Million	\$21.7 Million

Cautions for the Multi-Year Forecast

With expenditure reductions in 2005 in the amount \$16.2 million and assumed additional reductions of \$5.2 million in 2006, the General Fund budget is balanced in the biennium with a \$2 million carryover. This carryover amount provides total reserves of about 7% of General Fund revenues, which is less than the generally accepted fund balance target standard of 10% of revenues. Any personnel services increases (e.g., labor contracts) that exceed the 2% assumption for represented staff and that exceed 0% for non-represented staff will cause the General Fund to be out of balance and will require additional expenditure reductions or revenue increases in the General Fund.

The following section provides additional detail on the income tax revenue estimates as well as revenue estimates for the other major General Fund revenue categories.

General Fund Revenue

The General Fund revenue estimate for 2005 in Table IV is \$316 million, which is a 0.08% increase over the revised 2004 estimate of \$313.6 million and is about the 2003 actual amount. The four major General Fund revenue components are City Income Tax, Property Tax, State Shared Revenues (Estate Tax and Local Government Fund), and Investments, all of which together comprise approximately 88.5% of General Fund revenue.

*Table IV: 2005 REVISED 2004/2005 GENERAL FUND REVENUE ESTIMATES
(in \$000's)*

Category	2003 Actual	2004 Estimate	% Change	2005 Estimate	\$ Change	% Change
City Income Tax	\$190,142	\$192,044	1.0%	\$196,269	\$4,225	2.2%
Property Tax	\$30,543	\$28,988	-5.1%	\$28,988	\$0.0	0.0%
State Shared Revenues	\$51,411	\$52,957	3.0%	\$48,555	(\$4,402)	-8.3%
Investments	\$ 9,787	\$ 6,000	-38.7%	\$5,900	(\$100)	-1.7%
Other Revenues	<u>\$31,786</u>	<u>\$33,591</u>	5.7%	<u>\$36,293</u>	<u>2,702</u>	8.0%
Total Revenues	\$313,669	\$313,580	-0.03%	\$316,005	\$2,425	0.8%

City Income Tax. City Income Tax revenue is budgeted to increase by \$4.2 million, or 2.2%, in 2005 over the revised estimate for 2004. It is estimated that 2004 Income Tax revenue will be \$1.9 million, or 1.0%, higher than 2003 actual revenue. The General Fund Multi-Year Forecast presented June 7, 2004 projected a 3.2% increase in Income Tax revenues for 2004. The 2.2% increase in 2005 reflects continued concern that this revenue source will grow slowly due to the state of the current economy.

The General Fund receives 1.55% of the 2.1% locally levied tax applied to gross salaries, wages, and other personal service compensation earned by residents of the City and to earnings of non-residents earned in the City. It also applies to net income of business organizations for business conducted in the City. The income tax is the largest single source of General Fund revenue accounting for 62.1% of those revenues in the 2005 estimate.

State Shared Revenues. State Shared Revenues are the second largest source of revenue to the City General Fund accounting for 15.5% of City General Fund revenues. There are two major sources of these revenues: the Local Government Fund and the Estate Tax. The forecasted revenue for 2005 for the Estate Tax is \$19.0 million. This revenue source by its nature can be volatile.

The second source of state shared revenues is the Local Government Fund. The Local Government Fund revenues consist of portions of the State income, sales and use, public utility, and corporate franchise taxes allocated to a fund for distribution to local governments. City revenue growth is based on growth in the State revenue sources. Local governments throughout the State absorbed a major cut in the Fund's allocation as the economic recession has hurt the State's revenue components. Under current legislation we expect no change in the Local Government Fund until after July 2005 when the State of Ohio passes its budget. In the 2005 –2006 budget cycle the State will likely keep the Local Government Fund at current levels or further reduce the distribution to local governments. No increase in this revenue source is anticipated. State Shared Revenue is 15.4% of General Fund revenues.

Property Taxes. Property taxes account for 9.2% of the General Fund revenues. In June 2004, the City Council passed the Tentative Tax Budget maintaining the property tax revenue at \$29.0 million, the same amount collected in 2001, to be generated from a 5.0 mills tax rate. In November 2004, the City Council passed the Tax Levy resolution establishing a 4.98 mills property tax rate based on the Hamilton County Budget Commissions assessment of the rate needed to generated \$29.0 million.

Property taxes are levied on real property, public utilities property, and tangible property (equipment and inventory of business). The real property consists of residential, commercial, and industrial property. Traditionally property tax revenue fluctuates due to the statutorily required sexennial reappraisal and the intervening third year review and appeals which are granted to taxpayers. The City Charter authorizes a property tax levy of up to 6.1 mills for current operating purposes. The City Council sets the rate annually in the fall. It has been recent City Council policy to "rollback" or reduce property taxes for City operating purposes.

In addition, it is expected that property taxes from public utility property will be reduced because the taxable value of new public utility property is at a lower assessed value (25%) than that of existing utility property (88%) due to a 1993 change in State law. Beginning in 2004 the portion of the property taxes from Tangible Personal Property will be reduced over a 2-year period. Currently that property is valued at 23% of real value. The rate at which the inventory portion of this tax base is valued declined by one percentage point in 2004 and will decline by two percentage points for eleven years starting in 2005 until there is no personal property tax.

Investments. Investment earnings are anticipated to decrease by \$100,000, or 1.9%, in 2005 compared to the 2004 estimate, based on continued low interest rates on investments. The 2004 estimate is expected to be \$1.6 million less than budgeted in the June 2004 forecast. The City uses a "laddered" approach to invest interim funds. Given the recent interest rate environment, as investments at relatively high interest rates mature, funds are reinvested at relatively low interest rates and investment earnings are reduced.

Other Revenues. This category includes charges for services, admissions taxes, licenses and permits, parking and traffic fines, and miscellaneous revenues. These various revenues comprise 11.5% of the General Fund revenues.

New rate increases are being proposed for licenses and permits fees, as well as, parking and traffic fines, which could significantly increase revenues in the "Other Revenue" category." A mandatory registration system is recommended for all owners of rental property in the City, requiring owners to provide critical and current contact information, information establishing ownership structure, and other information that would enable the City to effectively and swiftly enforce its laws and regulations. In addition, current Buildings and Inspections permit fee structure is recommended to be updated and increased.

Increases in parking meter fines from parking violations are also recommended. Coordination of this change will require participation from the Police Department, Regional Computer Center, the Clerk of

Courts, and Parking Enforcement, and the passage of a Cincinnati Parking Infraction Fine Schedule by City Council. Implementation costs would include the printing of new fine schedules and communication of fine increases to the public.

The City Council passed an ordinance on August 17, 2004 to reduce the number of traffic violations from motorists who ignore red lights by allowing cameras to be used at various traffic intersections. The ordinance also allows the Police Department to solicit bids from vendors interested in leasing cameras to the City. Although the primary purpose of the program is to enhance traffic safety, a red light fine of \$100 was approved and will generate additional revenue for the City. The revenue generated would depend on the numbers of cameras at each intersection, the number of intersections, the number of violations per camera and the rate of collection.

These changes will provide a net \$2.2 million in additional revenue (see Tax and Fee Changes Section on page 8).